

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 EA-10 FRB-03 INR-07 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 STR-06 XMB-02 L-03 NSC-05 /118 W
-----083820 201850Z /43

R 201619Z JAN 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 4455
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AUSMSSION GENEVA 0819
AMEMBASSY LONDON
AMEMBASSY MADRID
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA

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USEEC

USMTM

ALSO FOR USOECD

E.O. 11652: N/A
TAGS: ECON, EFIN, PO, CASC
SUBJECT: ECONOMIC DEVELOPMENTS

SUMMARY: FORMATION OF PS-CDS GOVERNMENT MAY BRING SOME MODIFICA-
TIONS IN NATIONAL ECONOMIC POLICY, BUT SHOULD FACILITATE CON-
CLUSION OF GOP-IMF AGREEMENT. BANK OF PORTUGAL
HAS, IN FACT, ALREADY BEGUN TO ISSUE REGULATIONS DESIGNED TO
AID IMPLEMENTATION OF AN IMF ACCORD. PRELIMINARY DATA INDICATE
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THAT EMIGRANT REMITTANCES ROSE SHARPLY IN 1977. THE CONSUMER
PRICE INDEX REGISTERED A 27 PERCENT INCREASE IN 1977. IN
BANKING SECTOR, GOP NAMED BOARD OF DIRECTORS FOR NEWLY CREATED
BANK AND ISSUED DECREE ESTABLISHING BANKING CONFIDENTIALITY.
ESCUDO/DOLLAR RATE SHOWS LITTLE MOVEMENT. END SUMMARY.

1. PRESIDENT EANES HAS OFFICIALLY NAMED MARIO SOARES AS

PRIME MINISTER OF THE SECOND CONSTITUTIONAL GOVERNMENT
FOLLOWING CONCLUSION OF PS/CDS AGREEMENT ON JANUARY 19.
THE ECONOMIC ANNEXES TO THE AGREEMENT REFLECT CONSIDERABLE
CDS INFLUENCE (SEE SEPTTEL). FORMATION OF NEW GOVERNMENT SHOULD PERMI
T
GOP TO REINITIATE AND CONCLUDE STANDBY AGREEMENT WITH
IMF. IN FACT, GOP HAS BEGUN TO ISSUE REGULATIONS DESIGNED
TO FACILITATE IMPLEMENTATION OF THE EXPECTED IMF ACCORD.
LAST WEEK IT PUBLISHED AN ORDER, BACK-DATED TO DECEMBER 31,
1977, ELIMINATING THE IMPORT PRIOR DEPOSIT SYSTEM. ON
JANUARY 19 BANK OF PORTUGAL REPORTEDLY CIRCULATED NEW,
MORE RESTRICTIVE, CREDIT GUIDES FOR THE BANKING SYSTEM.
DETAILS OF THIS CIRCULAR WILL BE REPORTED AS SOON AS
THEY ARE AVAILABLE.

2. EMIGRANT REMITTANCES RISE SIGNIFICANTLY: BETWEEN
JANUARY AND NOVEMBER 1977, EMIGRANT REMITTANCES REACHED
39.8 BILLION ESCUDOS, AN INCREASE OF 16.5 BILLION ESCUDOS
OR 71 PERCENT (35 PERCENT IN DOLLAR TERMS) OVER SAME
PERIOD OF 1976. PORTUGUESE EMIGRANTS IN FRANCE CONTRIBUTED
67 PERCENT OF TOTAL, FOLLOWED BY THOSE IN FRG AND IN U.S.

3. BOARD OF DIRECTORS FOR NEW BANK CHOSEN: GOP HAS
NAMED GOVERNING BOARD FOR RECENTLY-ESTABLISHED
UNIAO DOS BANCOS PORTUGUESES (UBP) THAT WAS CREATED BY
COMBINING FORMERLY INDEPENDENT BANCO DA AGRICULTURA, BANCO
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DE ANGOLA AND BANCO PINTO DE MAGALHAES. THE DIRECTORS
ARE ANTONIO DE ALMEIDA, FRANCISCO FERREIRA DA SILVA,
JORGE SOUSA AGUIAR, JOSE DE SOUSA MACIEL, AND RAMIRO
RAMOS DA COSTA.

4. CONFIDENTIAL BANKING INSTITUTED: IN ATTEMPT TO
REESTABLISH PUBLIC CONFIDENCE AND TO INDUCE TRANSFER OF
"MATTRESS" DEPOSITS TO INSTITUTIONAL ACCOUNTS, FINANCE
MINISTRY DECREED THAT BANK OFFICIALS AND EMPLOYEES CANNOT
REVEAL, UNDER PENALTY OF LAW, INFORMATION ON DEPOSIT
ACCOUNTS WITHOUT PERMISSION OF THE DEPOSITORS.

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OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00

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R 201619Z JAN 78

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 4456

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY MADRID

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

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5. COST OF LIVING INCREASES: THE 1977 CONSUMER PRICE INDEX (HOUSING COMPONENT EXCLUDED) RECORDED AN AVERAGE INCREASE OF 27.3 PERCENT OVER 1976. THE NEW NATIONAL INSTITUTE OF STATISTICS INDEX REVEALS THAT FOOD AND BEVERAGES WERE UP AN AVERAGE OF 31.9 PERCENT; GARMENTS AND FOOTWEAR, 18.7 PERCENT; HOUSEHOLD EXPENDITURES, 26.5 PERCENT; POSTAGE, 44.5 PERCENT; AND TELEPHONE FEES, 33.8 PERCENT. MAJOR COMPONENTS OF FOOD AND BEVERAGE INCREASE WERE COFFEE, 155.9 PERCENT; TEA, 62.5 PERCENT; BREAD, 31.4 PERCENT; FRESH FRUIT, 60.4 PERCENT; MEAT, 62.7 PERCENT; MILK AND MILK PRODUCTS, 28 PERCENT; AND LIMITED OFFICIAL USE

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FISH, 30.2 PERCENT. AMONG HOUSEHOLD ITEMS, COST OF WATER INCREASED 27.9 PERCENT; GAS, 19.4 PERCENT; AND ELECTRICITY, 41.8 PERCENT. PRICES OF HOUSEHOLD APPLIANCES ROSE BY 35.3 PERCENT. ON A POINT TO POINT BASIS (DECEMBER 1976 TO DECEMBER 1977), DATA AVAILABLE FOR TWO COMPONENTS SHOW AN INCREASE OF 33.2 PERCENT FOR FOOD AND BEVERAGES, AND 13.8 PERCENT FOR GARMENTS AND FOOTWEAR. PRESENT INDICATIONS ARE THAT INFLATION RATE WILL DECLINE IN COMING MONTHS. PROPOSED TAX INCREASES AND THE NEED TO IMPOSE COMPANY BALANCE SHEETS, PARTIALLY TO OFFSET REDUCED CREDIT AVAILA-

BILITY, WILL SPARK NUMEROUS PRICE RISES.

6. ESCUDO RATE: THE ESCUDO/DOLLAR BUT RATE, WHICH STOOD
AT 40.065 ON JANUARY 6, CLOSED AT 40.152 ON JAN 13 AND
AT 40.201 ON THURSDAY, JANUARY 19.
OKUN

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Message Attributes

Automatic Decaptioning: X
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Concepts: ECONOMIC CONDITIONS, FINANCIAL TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Disposition History: n/a
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Legacy Key: link1978/newtext/t19780141/aaaabidb.tel
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Original Previous Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
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Review Action: RELEASED, APPROVED
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Review Event:
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Secure: OPEN
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Subject: ECONOMIC DEVELOPMENTS SUMMARY: FORMATION OF PS-CDS GOVERNMENT MAY BRING SOME MODIFICATIONS IN NATIONAL ECONOMIC POLICY, BUT SHOULD FACI
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